



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	HB0377	Title:	Revise laws related to K-12 accreditation standards
Primary Sponsor:	Lamm, Debra	Status:	As Introduced

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| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$1,931,802	\$1,816,645	\$1,812,800	\$1,806,600
Federal Special Revenue	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)
Net Impact-General Fund Balance:	<u>(\$1,931,802)</u>	<u>(\$1,816,645)</u>	<u>(\$1,812,800)</u>	<u>(\$1,806,600)</u>

Description of fiscal impact: HB 377 prohibits the Board of Public Education from adopting the common core standards for English/Language Arts and Math and prohibits the Superintendent of Public Instruction from implementing the standards. The bill also voids Montana's participation in the Smarter Balanced Assessment Consortium. The potential loss of federal education funding as a result of HB 377 is \$7.26 million for the 2017 biennium. The state general fund cost of HB 377 could be \$3.7 million for the 2017 biennium.

FISCAL ANALYSIS

Assumptions:

Office of Public Instruction (OPI)

- HB 377 prohibits the Board of Public Education (BPE) from adopting and the Superintendent of Public Instruction from implementing content standards or assessments based on the common core state standards. The BPE adopted the common core state standards for English/Language Arts and Math in November 2011. Section 2 of HB 377 voids the adoption of these standards.

2. The State of Montana joined the Smarter Balanced Assessment Consortium as a governing state in June 2010. The memorandum of understanding (MOU) was signed by the Governor, the Superintendent of Public Instruction, and the Chairperson of the Board of Public Education. Section 2 of HB 377 voids Montana's participation in the Smarter Balanced Assessment Consortium.
3. Section 3 of HB 377 forms a 16-member accreditation standards review council, which is administratively attached to the Legislative Services Division of the Legislative Branch. (See technical note #4.)
4. Section 2 of HB 377, requires the Office of Public Instruction (OPI) to prepare an analysis of the financial impacts of any proposed standards on the state and on local school districts. The BPE must provide the proposal and the financial analysis to the review council. The council must hold a public hearing on the proposal. A majority vote of the council is required in order for the council to recommend the proposal to the BPE.
5. HB 377 requires all meetings of a public agency at which proposals to adopt or amend the accreditation standards are discussed must be open to the public. The development of proposals to adopt or amend the accreditation standards must provide for the participation of teachers, school administrators, parents, and students from across the state.
6. Typically, when the OPI undertakes a process for recommending revisions to accreditation standards to the BPE, the agency convenes a work group to develop the recommendations that are made to the Superintendent of Public Instruction, who makes her own recommendations to the BPE. Recent examples of this practice include the development of the ARM, Title 10, Chapter 63 preschool standards; ARM, Title 10, Chapter 55 revisions; ARM, Title 10, Chapter 57 educator licensure standards; and ARM, Title 10, Chapter 58 educator preparation program standards. These working meetings have not been closed to the public, but OPI has not consistently announced the meetings online nor put out press releases about the work group meetings.
7. If the intent of HB 377 is to provide for public participation in the work group meetings, the cost for meeting rooms would increase and the cost for recording public input would also be an additional expense.
8. Under HB 377, the BPE may not order the Superintendent of Public Instruction to withhold a district's BASE aid based on a district's decision not to align their local curriculum to the content and performance standards in the state accreditation standards. A district's decision does not allow a district to opt out of state assessments based on the content and performance standards. All students will still be tested in the state assessments.
9. K-12 students in grades 3-8 and 11 will begin participating in the Smarter Balanced Assessment in March 2015. It is unlikely that HB 377 will go into effect prior to the beginning of the statewide student assessment for English/Language Arts and Math.
10. For 2015-16 and 2016-17, HB 377 requires the BPE to adopt and the Superintendent of Public Instruction to implement content standards and assessments that are identical to those that were in effect prior to July 1, 2013.
11. The OPI no longer has a contract in place for the assessment of the English/Language Arts and Mathematics standards that were in place prior to July 1, 2013. The annual cost of the state's contract with Measured Progress for the administration and scoring of the Smarter Balanced Assessment, including the provision of interim assessment and formative tools, is \$1.3 million per year. OPI has a five-year contract, through 2019, with Measured Progress for the testing and scoring services. The contract can be terminated, if not needed for the current purposes.
12. Under HB 377, the accreditation standards review council appoints two seven-member subcommittees to develop a new set of standards for English/Language Arts and Math. The council will develop a nomination process for appointees to the subcommittees.
13. Each subcommittee shall select a highly rated pre-2009 set of state standards as a foundational blueprint for the development of the new standards.
14. Under HB 377, each subcommittee will hold five public hearings on the draft standards and the accreditation standards review council will also hold a public hearing on the proposed standards. Under

Montana Administrative Procedure Act (MAPA), the BPE will also hold public hearing(s) on the proposed standards prior to adoption.

15. The responsibilities of the OPI under HB 377 include:
 - a. Announce meetings of work groups that OPI establishes to develop proposed content standards.
 - b. Ensure that work group meetings provide space for public attendees.
 - c. Prepare an analysis of financial impacts of proposed standards on the state and on local school districts.
 - d. Cancel or amend its contract with the testing vendor for the Smarter Balanced Assessment.
 - e. Implement an assessment based on the English/Language Arts and Math standards that were in effect prior to July 1, 2013.
 - f. Serve on the accreditation standards review council.
16. OPI estimates that it would incur approximately \$10,000 in costs during the biennium to complete the analysis of the financial impacts of any new English/Language Arts and Math standards. This estimate is based on the amount that OPI spent in the 2011 biennium to contract with experts to review the English/Language Arts and Math standards.
17. Currently, the OPI funds its contract with Measured Progress from a federal assessment grant. No state monies are used to fund the contract. If Montana is not able to demonstrate that it has adopted rigorous, career and college ready standards, the state's receipt of the federal assessment grant of \$3,630,000 annually may be in jeopardy.
18. OPI would have to develop and implement a new assessment test for assessing the new requirements for standards created in HB 377. The costs of this development and then implementation would be about \$1.8 million per year. This would be funded from the state general fund. Currently, OPI contracts for \$1.3 million per year for these costs using federal funds, but the loss of federal funds but these funds would no longer be available.
19. HB 377 does not eliminate the requirement for a statewide student assessment in English/Language Arts and Math.
20. A reduction of operating expenses is shown from federal funds which includes \$1.3 million which currently funds the assessment test and \$2.3 million of other expenses currently funded from the federal grant.

Board of Public Education (BPE)

21. HB 377 repeals Title 10, chapter 53, subchapters 4 and 5, of the Administrative Rules of Montana (ARM). These are content standards FY 2016 and content standards FY 2018.
22. The BPE would incur costs of approximately \$6,000 in fees to Secretary of State for repeal of current common core standards and adoption of previous standards effective immediately.
23. An additional cost to the BPE of approximately \$6,000 in fees to Secretary of State for adoption of ARM for new content standards for 2017-18 school year, is estimated.
24. The estimated travel cost for the BPE chair to attend accreditation review standards council meetings estimated twice yearly is \$800 per meeting.

Legislative Services Division (LSD)

25. HB 377 establishes an Accreditation Standards Review Council in new section 3 that is administratively assigned to the Legislative Services Division.
26. Section 2, subsection 6, of HB 377 provides that, prior to adoption or amendment of any accreditation standard, the Board of Public Education submits each proposal to a newly established accreditation standards review council.
27. Per section 3 of the bill, the accreditations standards review council will consist of nine legislative members, three public employees, and four non-legislative members. For the purposes of this fiscal note, it is assumed that the three publicly employed members will not receive compensation for their service as members, as it is assumed that council duties will be performed during the public employees' regular working hours. The three public employees would be entitled to be reimbursed for travel expenses. It is assumed that the

legislative members and public members would receive compensation and travel expenses, as provided in 2-18-501 through 2-18-503, MCA.

28. Section 5, subsection 4, of HB 377 establishes two content standards development subcommittees, each consisting of seven members who have experience in teaching and who collectively possess experience in elementary, middle, and high schools. For the purposes of calculating the costs of these subcommittees, it is assumed that all subcommittee members would be members of the public and, therefore, eligible to receive compensation and travel expenses.
29. It is estimated that the accreditations standards review council would hold five meetings during the 2017 biennium, four of which to be held during FY 2016 and a final meeting in FY 2017. It is assumed that all of these meetings would be one-day meetings and that they would all be held in Helena. The cost of this council is estimated to be \$30,134 in FY 2016 and \$10,045 in FY 2017, for a total biennial general fund cost of \$40,179.
30. Section 5, subsection 4, of this bill provides for the requirements of two content standards development subcommittees. One of these requirements is that, no later than April 1, 2016, each subcommittee hold no fewer than five public hearings, to be held in each of the districts of the state established in 2-15-3402, MCA. Based on the requirements of this section, it is assumed that these subcommittees will hold four one-day meetings in Helena and five one-day meetings in other locations in Montana. Each subcommittee is required to hold a final meeting no later than July 1, 2016. It is assumed that all subcommittee costs would be incurred in FY 2016. The estimated general fund cost of the two subcommittees is \$88,868.
31. Section 2 of HB 377 requires the accreditation standards review council to, prior to the adoption or amendment of any accreditation standard, review these proposed standards. It is assumed that this requirement will be an ongoing responsibility of the council and it is likely that additional resources will be needed in future biennia. However, because it is unknown how many accreditation standards will be proposed, it is difficult to calculate the cost of additional resources in future biennia.
32. Section 2, subsection 6, of this bill removes the responsibility of the Legislative Fiscal Division to prepare a fiscal analysis of standards of accreditation. The potential cost of such an analysis has never been funded.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses (BPE)	\$7,800	\$1,600	\$7,800	\$1,600
Operating Expenses (OPI) G	\$1,805,000	\$1,805,000	\$1,805,000	\$1,805,000
Operating Expenses (OPI) F	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)
Operating Expenses (LSD)	\$119,002	\$10,045	unknown	unknown
TOTAL Expenditures	<u>(\$1,698,198)</u>	<u>(\$1,813,355)</u>	<u>(\$1,817,200)</u>	<u>(\$1,823,400)</u>

<u>Funding of Expenditures:</u>				
General Fund (01)	\$1,931,802	\$1,816,645	\$1,812,800	\$1,806,600
Federal Special Revenue (03)	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)
TOTAL Funding of Exp.	<u>(\$1,698,198)</u>	<u>(\$1,813,355)</u>	<u>(\$1,817,200)</u>	<u>(\$1,823,400)</u>

<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)	(\$3,630,000)
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,931,802)	(\$1,816,645)	(\$1,812,800)	(\$1,806,600)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

1. HB 377 could have significant costs to school districts to purchase new textbooks and curriculum for new standards and for professional development.

Technical Notes:**Office of Public Instruction (OPI)**

1. It is unclear how the approval or rejection of proposed standards by the accreditation standards review council will affect the authority of the BPE to adopt or amend accreditation standards. Also, it is unclear if the BPE is obligated to adopt the recommendations from the accreditations standards review council. The BPE has authority to promulgate ARM, the accreditations standards review council does not.
2. HB 377 prohibits the Superintendent of Public Instruction and other public officers, including the Governor, from ceding any measure of control over the basic system of free quality public elementary and secondary schools in the state. Differences of opinion may exist among policymakers about what constitutes ceding control over the system.
3. A district's decision not to align its local curriculum to the content and performance standards does not allow a district to opt out of state assessments based on the content and performance standards. This creates a situation where the state and school districts will be measuring student achievement based on standards that are not implemented uniformly across the state.

4. HB 377 indicates that the accreditation review council will have 16 members, but only 15 positions are listed in Section 3.
5. HB 377 repeals all of the BPE rules related to the English Language Arts and Literacy Content Standards and the Mathematics Content Standards effective on passage and approval. For a period of time, the state will be without content standards in English/Language Arts and Math.

Legislative Services Division

6. Based on the timelines contained within section 5 of HB 377, it is unclear whether the content standards subcommittees would need to continue or whether this section of the bill terminates at the end of the 2017 biennium.

Sponsor's Initials

Date

Budget Director's Initials

Date